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Senate Staff Report Finds Casey's Iran Testimony Misleading, Incomplete

*Poindexter Briefing
Called 'Stonewalling'*

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A written statement on President Reagan's secret Iran initiative, prepared at a White House meeting the day before CIA Director William J. Casey read it to two congressional committees, "contained several misleading statements and omitted certain significant points," according to a draft staff report of the Senate Select Committee on Intelligence.

Casey's Nov. 21 appearance before the Senate and House intelligence committees took place the same day that then-national security adviser John M. Poindexter briefed members of the Senate and House intelligence panels at the White House. Yesterday, one legislator present at Vice Adm. Poindexter's session called it "stonewalling . . . compared to what we now know."

The incomplete Casey and Poindexter explanations, which followed a speech and news conference by the president, were supposed to be part of the first concerted White House effort to lay out the facts on the controversial Iran operation, which had already been the subject of embarrassing newspaper disclosures for more than two weeks.

Four days later, Poindexter resigned and a National Security Council aide, Lt. Col. Oliver L. North, was fired after Attorney General Edwin Meese III said he had discovered that funds generated by sales of U.S. arms to Iran had been diverted to help the Nicaraguan rebels.

The conclusions about Casey's prepared testimony, along with allegations that the White House and the Central Intelligence Agency had violated numerous laws and regulations in the Iran-contra operation, were contained in a 27-page section of summary and conclusions drafted by the staff of the Senate committee to be part of the panel's public report on its investigation late last

year into the operation. The entire 27-page section was published yesterday by The New York Times.

The section, entitled "Key Issues in the Iran Initiative," was dropped from the committee report before the panel's vote not to release the document. An earlier staff draft contained much sharper criticism of Casey's oral testimony, but was eliminated after he was found to have a brain tumor, which could have affected his performance.

Much of the material published yesterday had already been reported, but there were several new disclosures and conclusions reached by committee staff.

- The CIA's rationale that a covert action could be given formal approval after the event by a president was criticized by the staff report as undermining "the ability of the president himself to control covert actions, as it would allow the intelligence community to present him with a covert action as a fait accompli, too late to be undone."

- In criticizing the White House failure to use available U.S. intelligence, the report disclosed that in April 1985, administration officials had produced a National Intelligence Estimate that described Israeli interests in promoting arms sales to Iran, noting that Israel's interests "diverged from U.S. policy." The staff summary pointed out that former national security adviser Robert C. McFarlane, who promoted the initiative in 1985, testified "that he had seen no analysis on this subject."

- The report questioned the administration's use of private individuals to conduct secret operations without first examining what their private interests in the Iran operation might be. It noted that retired Air Force major general Richard V. Secord "appears to have had a critical part in the program," but adds that the committee "has no firm explanation of how Mr. Secord came to be involved in the program or what his motives were."

- The use of Iranian arms dealer Manucher Ghorbanifar as a middleman, after CIA officials had pointed out his "record of fabrication in his past contacts with the CIA," as well as his failure to pass a polygraph test, illustrated "how policy goals were allowed to overrule operation expertise in the Iran program," the draft report said.

Casey's Nov. 21 testimony, according to the Senate intelligence committee report, was "drafted by and coordinated among most of the key participants in the Iran program." Casey himself was out of town while the statement was being prepared, congressional sources said yesterday.

The night before it was delivered, the text was reviewed at the White House by Poindexter, North, Casey, Meese, White House chief of staff Donald T. Regan, Secretary of State George P. Shultz and Defense Secretary Caspar W. Weinberger.

Meese later said that disagreements between the participants over what had occurred, which emerged during the preparation of Casey's testimony, led him to ask Reagan for authority to investigate the matter.

Casey's prepared testimony focused on the Jan. 17, 1986, "finding" signed by Reagan authorizing the arms-selling program. That finding was drafted by North rather than the NSC interagency working group that usually handled covert operations.

In addition, the draft was not circulated among members of the national security planning group, as required by the Reagan administration's national security decision directive. After Reagan signed it, Shultz and other key administration officials such as the chairman of the Joint Chiefs of Staff were not informed of its existence.

The draft report noted that the Casey prepared testimony "did not indicate that the finding . . . was prepared through a unique procedure." When Casey was asked about this particular point, which had been publicized in newspaper articles reporting that Shultz had been unaware of the finding, Casey "only referred to how findings are usually drafted and approved."

In his prepared testimony Casey made no reference to North, although he has since been described by White House officials as the prime director and perhaps instigator of many aspects of the program.

The statement included mention of a meeting last Feb. 5 in London where an NSC official—North—was present, but when a member of the panel asked who that official was, "Mr. Casey and the others in his entourage claimed not to know."

Accompanying Casey at the hearing were Clair George, the CIA's deputy director for operations, and Charles Allen, the CIA's national intelligence officer for counterterrorism, who monitored the Iran operation, according to congressional sources.

"It is likely that at least some of the representatives from the intelligence community must have known who the NSC official was," the draft report said. "Several of them had worked closely with North on the program in the preceding months," it went on. In addition, according to a chronology of events that North himself had written, a CIA representative accompanied him at the London meeting.

The Senate report also pointed out that within a short time "Casey had been sufficiently concerned about Lt. Col. North's activities that he recommended" to Poindexter that "North be advised to retain an attorney."

Although Casey did make clear that the NSC was taking the lead and the CIA was just providing "support," one congressional source said yesterday the extent to which knowledge of the operation was limited to only a few CIA officials and operatives was not made apparent.

Casey's prepared testimony also "made no mention of the use of private individuals" such as Secord and his business partner, Albert Hakim, the staff draft said.

The Jan. 17 presidential finding was specifically drafted to include authority to use private individuals.

The Senate committee staff criticized the manner in which then-CIA general counsel Stanley Sporkin interpreted the agency's legal ability to carry on a covert action without prior approval of the president.

In November 1985, when North requested CIA assistance in getting an aircraft to carry Israeli-owned U.S. missiles to Iran, agency officials agreed without any presidential authorization. Sporkin, at the request of then-deputy director John McMahon, drafted a finding for the president to sign giving retroactive legal approval for the agency's actions.

According to the report, Sporkin testified that it was permissible for an agency to carry out an unauthorized covert action if it was later signed by the president. "This rationale, if sustained, would undermine [the statute] which is the basis of congressional authorization of covert action," since the law states that funds cannot be spent for a covert action without a presidential authorization of the operation, the committee staff concluded.

Sporkin responded in an interview yesterday that he had, in fact, recommended that a presidential authorization be obtained soon after McMahon presented him with the facts and asked for a legal opinion. "I believe I gave pretty stiff advice when I said, 'Go to the president and get a finding,'" Sporkin said.

He said the finding he submitted to McMahon "acknowledged that what had been done was authorized, and took care of on-going activities as well."

Sporkin said he later understood that the November draft had been signed, but was never told that directly. According to congressional sources, McMahon told the Senate committee that he had been called by North and told Reagan had signed the finding Dec. 5. But no such document has ever been produced.